

Message Text

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PAGE 01 PARIS 19637 261236Z

53

ACTION EUR-25

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

CIAE-00 COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 DODE-00 PA-04 USIA-15 PRS-01 SAJ-01

PM-07 IO-14 INT-08 FEA-02 NEA-14 AF-10 DRC-01 /225 W

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R 161649Z AUG 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 1584

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L PARIS 19637

C O R R E C T E D C O P Y (REF C SHOULD READ 9042 VICE 9942)

E.O. 11652: GDS

TAGS: EINV, ENRG, OPEC, OECD

SUBJECT: FOREIGN DIRECT INVESTMENT BY OIL PRODUCING
NATIONS

REFS: A. STATE 178868; B. PARIS 18230; C. PARIS 9042

ANSWERS TO QUESTIONS POSED REFTEL ARE AS FOLLOWS:

(A) PRESIDENT GISCARD D'ESTAING EXPRESSLY STATED IN HIS
JULY 25 PRESS CONFERENCE THAT THERE WOULD BE NO FRENCH
VERSION OF KRUPP-IRAN DEAL. FRANCE WOULD "REMAIN THE
MASTER OF ITS MEANS OF PRODUCTION" AND FINANCE THEM WITH
OWN SAVINGS. BALANCE OF PAYMENTS PROBLEMS WOULD NOT BE
MET THROUGH SALES OF FRANCE'S HEAVY INDUSTRIAL CAPITAL,
THE PRESIDENT SAID (SEE REFTEL B).

(B) 1. IN LIGHT OF ABOVE, GOF WOULD SEEM TO HAVE LITTLE
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PAGE 02 PARIS 19637 261236Z

REASON TO OBJECT IF OTHER COUNTRIES, SUCH AS U.S., TOOK

OPPOSITE POLICY OF ENCOURAGING DIRECT INVESTMENT BY
OPEC COUNTRIES.

2. ON THE OTHER HAND, GOF COULD BE EXPECTED TO REACT
QUITE NEGATIVELY TO NEW U.S. RESTRICTIONS ON DIRECT
INVESTMENT. WE HAVE CONSTANTLY PREACHED LIBERAL LINE TO
GOF ON FOREIGN DIRECT INVESTMENT, A STANCE OFTEN IN CON-
FLICT WITH FRENCH VIEWS IN LATE 1960'S. NOW THAT GOF
HAS ADOPTED MORE LIBERAL PRACTICES (SEE REFTEL C), AND
IS, IN ADDITION, ENCOURAGING FRENCH DIRECT OVERSEAS IN-
VESTMENT (INCLUDING IN THE U.S.) A REVERSAL OF TRADI-
TIONAL U.S. POLICY WOULD BE A BLOW TO BOTH FRENCH PRIDE
AND POLICY. FOR IT TO COME AS A UNILATERAL RESPONSE TO
A PROBLEM DERIVING FROM THE ENERGY CRISIS--AN AREA WHERE
WE HAVE NOT HESITATED TO CRITICIZE THE FRENCH FOR UNI-
LATERALISM--WOULD BE A FURTHER INSULT TO COMPOUND THE
INJURY.
STONE

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